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William J. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

August 9, 1994

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

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WRITER'S DIRECT DIAL

Re: **Ex Parte Presentation - Auction of Narrowband Personal  
Communications Service Spectrum - PP Docket No. 93-253**

Dear Mr. Caton:

Enclosed, on behalf of PCS Development Corporation ("PCSD"), is an original and one copy of a memorandum summarizing an oral ex parte presentation which Gerald S. McGowan, Cecil Duffie, and William deKay made on Friday, August 5, 1994, as representatives of PCSD, to the following Commission personnel: Dr. Robert Pepper, Blair Levin, Jane Mago, and Mary McManus.

Should the Commission have any questions in regard to this matter, please contact this office.

Very truly yours,

Gerald S. McGowan

Enclosures

cc: Dr. Robert M. Pepper, 1919 M Street, Room 822  
Blair Levin, 1919 M Street, Room 814  
Jane Mago, 1919 M Street, Room 602  
Mary McManus, 1919 M Street, Room 832

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MEMORANDUM AUG - 9 1994

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

Subj: **Ex Parte Presentation in PP Docket No. 93-253 -  
Auctions of Narrowband PCS Spectrum**

On August 5, 1994, representatives of PCS Development Corporation, Gerald S. McGowan, Cecil Duffie, and William deKay met with certain Federal Communications Commission personnel, Dr. Robert Pepper, Blair Levin, Jane Mago, and Mary McManus, to discuss recommended modifications to the auctions of non-nationwide licenses for narrowband PCS spectrum.

Attached is a copy of the recommendations which were made.

An original and one copy of this Memorandum has been submitted to the Secretary.

Attachment

## **NARROWBAND PCS ENTREPRENEUR'S VIEWPOINT**

**Observations on Nationwide Auctions (Based on actual experience of PCS Development Corporation, the managing partner of Duble consortium).**

- **Without designated "Entrepreneur block", as in Broadband PCS, Designated Entities were unable to compete with major telecom players, i.e. AT&T, RBOC's, incumbent national paging providers.**
- **The valuation of Narrowband PCS spectrum established last week coupled with anticipated build out capital needs renders the \$6 million net worth limit applied to small business insufficient for small business participation in regional , MTA, and all but the smallest BTA's.**
- **Based on major players appetite for accumulating multiple frequencies, e.g. Pagenet, AT&T, MTEL in the nationwide auction, we expect similar behavior in the remaining narrowband rounds. Such accumulation strategies may result in little if any, entrepreneurial/D.E. participation in Narrowband PCS.**

## **RECOMMENDATION FOR NEXT PCS AUCTION**

- 1. Establish "Entrepreneur/D.E. block" as in Broadband PCS on Channels 13 & 17 in Regional and 19, 22 and 24 in MTA, one BTA channel.**
- 2. As in Broadband, only Entrepreneurs and D.E.'s would be allowed to bid on these frequencies.**
- 3. As in Broadband revenues and net worth caps should be used to define eligibility for the Entrepreneur category. The \$40 million gross revenue cap is appropriate for the small business subcategories. The \$125 million cap for participation in the Entrepreneur block should be reduced, e.g. \$60 million.**
- 4. The Bidding Credits, Installment Payments and Tax Certificate proposals for Broadband should apply to the remaining Narrowband auctions.**
- 5. We concur with the 25% equity attribution rule but are concerned that the 5% voting cap will reduce a D.E.'s ability to attract equity capital or result in excessive use of leverage. A true 50.1% voting and economic interest in the hands of D.E.'s should be adequate to safeguard against abuse.**
- 6. Implementation of these recommendations for the remaining Narrowband Auctions will allow the commission the opportunity to "test market" it's proposed Competitive Opportunity Plan before the Broadband Auctions later this year.**